

DENISON MUNICIPAL UTILITIES

INDEPENDENT AUDITORS' REPORTS

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

SCHEDULE OF FINDINGS

JUNE 30, 2021 and 2020

DENISON MUNICIPAL UTILITIES

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DENISON MUNICIPAL UTILITIES

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Nancy Bradley	Chairperson	2022
Dane Dammen	Vice Chairman	2026
Tonya Eller	Board Member	2024
Brian Ettleman	Board Member	2025
Chad Langenfeld	Board Member	2027
Rory Weis	General Manager	Indefinite
Renee Vary	Manager-Finance & Customer Information	Indefinite
D. R. Franck	Attorney	Indefinite

Gronewold, Bell, Kyhnn & Co. P.C.

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

1910 EAST 7th STREET BOX 369
ATLANTIC, IOWA 50022-0369
(712) 243-1800
FAX (712) 243-1265
CPA@GBKCO.COM

MARK D. KYHNN
KENNETH P. TEGELS
CHRISTOPHER J. NELSON
DAVID A. GINTHER

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Denison Municipal Utilities
Denison, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of Denison Municipal Utilities (a component unit of the City of Denison, Iowa) which comprise the statements of net position as of June 30, 2021, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Utilities' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Utilities' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Board of Trustees
Denison Municipal Utilities

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and each major fund of Denison Municipal Utilities as of June 30, 2021 and the respective changes in its financial position, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis, the Budgetary Comparison Schedule, Schedule of Funding Progress for the Retiree Health Plan, the Schedule of the Utilities' Proportionate Share of the Net Pension Liability, the Schedule of Utilities' Contributions and the Schedule of Changes in Total OPEB Liability, Related Ratios and Notes on pages 5 through 10 and pages 31 through 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Predecessor Auditors

The financial statements of Denison Municipal Utilities as of June 30, 2020 were audited by other auditors whose report dated January 12, 2021, expressed unmodified opinions on those statements.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Denison Municipal Utilities' basic financial statements. Other auditors previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the one year ended June 30, 2020 and expressed unmodified opinions on those financial statements. The supplementary information on pages 1 and 37 through 52 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

To the Board of Trustees
Denison Municipal Utilities

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 11, 2021 on our consideration of Denison Municipal Utilities' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of Denison Municipal Utilities' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Denison Municipal Utilities' internal control over financial reporting and compliance.

Gmewoll, Ben, John & Co. P. C.

Atlantic, Iowa
October 11, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Denison Municipal Utilities annual report presents an analysis of the Utilities financial performance for the fiscal year ended June 30, 2021. Denison Municipal Utilities is organized into four operating divisions. They are the electric utility, water utility, sewer utility, and the joint treatment utility. This discussion and analysis not only points out the highlights of each utility but also reports and discusses highlights in combined form. We encourage readers to consider the information presented here in conjunction with the utilities financial statements and notes to the basic financial statements in order to enhance their understanding of the utilities financial performance.

2021 FINANCIAL HIGHLIGHTS

- Total combined operating revenues decreased \$314,362 or 1.89% from the prior year. Decreased electric usage and an increased water use contributed to the overall decrease in operating revenues.
- Miscellaneous non-operating revenues increased \$767,501 or 82.78%. Current year non-operating revenues include a settlement of electric transmission rate charges.
- Interest income decreased \$122,059 or 77.63% from the prior year. This decrease is a direct result of decreased interest rates.
- Operating expenses decreased \$519,465 or 3.86% from the prior year. Decreases in electric purchases and wastewater processing costs contributed to the decrease.
- Total assets and deferred outflows increased \$2,345,062 and total liabilities and deferred inflows decreased \$411,277 resulting in total net position increasing \$2,756,339 or 5.73% from the prior year. Investments in capital assets increased \$1,354,064 funded by amounts set aside in cash reserve funds and a State Revolving Fund loan for the water quality sponsored project.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of the following three parts: Management's Discussion and Analysis, Financial Statements and Required Supplementary Information. The Financial Statements include notes which explain in detail some of the information included in the Financial Statements.

REQUIRED FINANCIAL STATEMENTS

Denison Municipal Utilities presents its proprietary funds financial statements using the flow of economic resources focus to determine net income and financial position. The accounting principles used are similar to those applicable to businesses in the private sector and, thus, these funds are maintained on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Utilities financial activities.

The *Statement of Net Position* presents information on the Utilities assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of each utility is improving or deteriorating.

All the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses and Changes in Net Position*. This statement measures the success of the Utilities operations. It can be used to determine whether each utility has successfully recovered all its costs through its rates, fees and other revenues. This statement also measures the Utilities profitability and credit worthiness.

The *Statement of Cash Flows* presents the change in the Utilities cash and cash equivalents during the year. This information can assist the user of the report in determining how the Utilities financed its activities and how it met its cash requirements.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the Utilities budget for the year, the Utilities proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides comparative financial information for each operating division.

FINANCIAL ANALYSIS OF THE UTILITIES

The Statement of Net Position includes all the Utilities assets and liabilities and provides information about the nature and amount of investments in resources and the obligations to creditors. This statement provides the basis for evaluating the capital structure and assessing the liquidity and financial flexibility of the utilities. The analysis that follows focuses on the change in net position of the Utilities.

Condensed Statement of Net Position

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 17,322,136	\$ 14,251,640	\$ 16,527,420
Capital Assets	<u>43,100,272</u>	<u>43,782,700</u>	<u>39,712,888</u>
Total Assets	<u>60,422,408</u>	<u>58,034,340</u>	<u>56,240,308</u>
Deferred outflows of resources	<u>385,155</u>	<u>428,161</u>	<u>591,108</u>
Long-term debt outstanding	6,165,000	6,202,000	5,704,217
Other liabilities	<u>3,739,822</u>	<u>3,877,151</u>	<u>4,717,271</u>
Total Liabilities	<u>9,904,822</u>	<u>10,079,151</u>	<u>10,421,488</u>
Deferred inflows of resources	<u>65,353</u>	<u>302,301</u>	<u>286,339</u>
Net Investment in Capital Assets	36,595,272	36,933,187	33,177,645
Restricted Net Position	337,075	751,428	768,467
Unrestricted Net Position	<u>13,905,041</u>	<u>10,396,434</u>	<u>12,177,477</u>
Total Net Position	<u>\$ 50,837,388</u>	<u>\$ 48,081,049</u>	<u>\$ 46,123,589</u>

2021 OPERATING RESULTS

The Statement of Revenues, Expenses and Changes in Net Position identify the various revenue and expense items which affect the change in net position.

Condensed Statements of Revenues,
Expenses, and Changes in Net Position

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Program revenues			
Operating revenues	\$16,358,205	\$16,672,567	\$ 16,605,786
Miscellaneous	1,694,635	927,134	1,296,491
Gain (Loss) sale of property & equip	0	0	4,825
Unrestricted investment earnings	<u>35,167</u>	<u>157,226</u>	<u>231,315</u>
Total revenues	<u>18,088,007</u>	<u>17,756,926</u>	<u>18,138,417</u>
Program expenses			
Operating expenses	12,925,238	13,444,703	13,867,617
Depreciation	2,036,492	1,931,102	1,684,809
Interest on long-term debt	82,109	131,519	98,194
Economic development	<u>25,000</u>	<u>11,092</u>	<u>226,147</u>
Total expenses	<u>15,068,839</u>	<u>15,518,415</u>	<u>15,876,767</u>
Income (Loss) before Transfers	3,019,168	2,238,511	2,261,650
Transfers Out	<u>(262,829)</u>	<u>(281,051)</u>	<u>(293,202)</u>
Change in net position	2,756,339	1,957,460	1,968,448
Net Position July 1	<u>48,081,049</u>	<u>46,123,589</u>	<u>44,155,141</u>
Net Position June 30	<u>\$ 50,837,388</u>	<u>\$ 48,081,049</u>	<u>\$ 46,123,589</u>

Following is a schedule of the number of electric meters and the kilowatts used by customer class for the fiscal years ended June 30, 2021, 2020 and 2019:

Comparison of Electric Meters & Usage by Customer Class						
	2021		2020		2019	
	<u>Meters</u>	<u>KWH</u>	<u>Meters</u>	<u>KWH</u>	<u>Meters</u>	<u>KWH</u>
Commercial C1	604	12,232,449	604	12,411,890	610	12,890,905
Commercial C1M	15	361,162	15	374,602	15	387,515
Residential R1	2,528	29,902,455	2,523	30,056,543	2,507	30,240,235
Residential R2M	254	4,659,119	256	4,660,884	256	4,936,674
Industrial	78	92,647,485	78	94,493,455	77	97,005,006
Water plant		3,350,539		3,389,637		3,430,383
Sewer plant		3,884,413		5,074,991		7,339,402
City Government		2,229,644		2,453,155		2,542,169
Other DMU uses		503,681		524,392		540,210
Total Meters & KWH Billed	<u>3,479</u>	<u>149,770,947</u>	<u>3,476</u>	<u>153,439,549</u>	<u>3,465</u>	<u>159,312,499</u>

The number of water meters and gallons used by customer class for the fiscal years ended June 30, 2021, 2020 and 2019 is as follows:

Comparison of Water Meters & Usage by Customer Class						
	2021		2020		2019	
	<u>Meters</u>	<u>Gals.</u>	<u>Meters</u>	<u>Gals.</u>	<u>Meters</u>	<u>Gals.</u>
Residential	2,293	106,033,000	2,297	105,817,000	2,288	102,750,000
Commercial	410	82,649,000	406	86,765,000	407	87,224,000
West Central Rural Water	4	254,052,000	4	238,153,000	4	224,592,000
Residential Outside City	136	7,105,000	133	6,587,000	134	6,342,000
Commercial Outside City	24	57,191,000	24	53,738,000	23	39,885,000
Industrial	9	384,056,000	9	381,196,000	9	403,911,000
Electric Department		788,000		599,000		547,000
Sewer plant		464,000		3,493,000		1,945,000
City Government		1,986,000		1,921,000		2,350,000
Total Meters & Gals. Billed	<u>2,876</u>	<u>894,324,000</u>	<u>2,873</u>	<u>887,269,000</u>	<u>2,866</u>	<u>869,546,000</u>

ANALYSIS BY FUND

The Electric Utility, which accounts for the operation and maintenance of the electric system, ended fiscal year 2021 with a net position of \$18,079,414 compared to the prior year ending net position of \$16,304,257, an increase of 10.89%. Refunds and settlement funds received from Missouri River Energy Services (MRES) and not expended contributed to the increase.

The Water Utility, which accounts for the operation and maintenance of the water treatment and distribution system, ended fiscal year 2021 with a \$12,712,213 net position compared to the prior year ending net position of \$12,501,920, an increase of 1.68%. A decrease in long-term debt, along with an increase in revenue and lower operating expenditures contributed to the increase in net position.

The Sewer Utility, which accounts for the operation and maintenance of the wastewater treatment and sanitary sewer system, ended fiscal year 2021 with a net position of \$5,525,341, compared to \$5,347,838 for the previous fiscal year, an increase of 3.32%. An increase in operating revenue and lower operating expenditures contributing to the increase.

The Joint Treatment Utility, which accounts for the operation and maintenance of the waste water treatment system to which the major industries in the City of Denison discharge their pretreated waste water, ended the fiscal year 2021 with a net position of \$14,520,420 compared to the prior year ending net position of \$13,927,034, an increase of 4.26%. Increases in funds available for investment contributed to the increase in the net asset balance.

CAPITAL ASSETS

The Utilities capital assets include land, buildings, improvements, service lines, automobiles and equipment, and street lights. A total of \$1,354,064 was invested in new capital assets, after accounting for depreciation, there was a decrease of \$682,428 in Capital Assets from June 30, 2020.

LONG-TERM DEBT

As of June 30, 2021, the Utilities had \$6,505,000 in outstanding debt compared to \$6,852,000 as of June 30, 2020. The decrease represents principal payments made during the fiscal year ended June 30, 2021 offset by proceeds from the State Revolving Fund for the water quality sponsored project completed during the current fiscal year. The outstanding debt of the Water Utility, Sewer Utility and Joint Treatment Utility consists entirely of revenue bonds, which are secured by future water, sewer and joint treatment revenues.

Additional information on the Utilities long-term debt is provided in Note 5 of the financial statements.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not at the fund type level. The budget was not amended during the year and the budget was not exceeded.

The Utilities receipts were \$2,304,116 less than budgeted. Funds were not advanced under a SRF Loan for water distribution improvements due to a delay in the capital project.

Total expenditures were \$4,661,476 less than budgeted. Reduced wholesale electric purchase requirements and delays in capital improvement projects contributed to this variance.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Various economic factors were considered when establishing the Utilities budget for fiscal 2021. Anticipated industry expansion and demographic changes are all considered in determining capital expenditures and expected revenues. During fiscal year 2022, the Utilities will review all rate structures to determine if any rate changes will be needed. Planned capital additions will be financed through the issuance of long-term debt, cash reserves and operating cash flows thereby potentially reducing the assets that bear interest and reducing interest income for the coming fiscal years.

COMMUNITY BENEFITS PROVIDED

As a municipal utility, DMU provides the citizens of Denison with a variety of community benefits through lower rates and various customer programs. Following is a schedule of community benefits provided during the fiscal years ended June 30, 2021, 2020 and 2019.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
KWH Billed	149,770,947	153,439,549	159,312,499
Rate difference between Iowa average utility rate and Denison Municipal Utilities	<u>0.0222</u>	<u>0.0222</u>	<u>0.0167</u>
(1) Calculated total electric savings	\$ 3,324,915	\$ 3,406,358	\$ 2,600,519
(2) Transfer to City general fund in lieu of taxes	265,218	267,489	306,232
(3) New housing assistance program	0	2,000	8,000
(4) Energy efficiency rebates	<u>17,457</u>	<u>44,175</u>	<u>80,332</u>
Total Community Benefits	<u>\$ 3,607,590</u>	<u>\$ 3,720,022</u>	<u>\$ 3,055,083</u>

- (1) The Iowa average utility rate is arrived at by comparing the most recent data available from the US Energy Information Administration on Iowa investor-owned utilities.
- (2) Payment of utility bills based upon the costs associated with street and public recreation area lighting are remitted by the city monthly. A cash remittance of the same amount is given to the city as a payment in lieu of taxes.
- (3) Denison Municipal Utilities has agreed to support local housing projects by reimbursing 90% of costs associated with installing electric, water, and sewer connections from main lines to the house or duplex; however, the reimbursement amount is not to exceed \$2,000 per structure. In the case of multi-family dwellings, in excess of two units, the reimbursement amount is not to exceed \$500 per dwelling unit.
- (4) Denison Municipal Utilities has agreed to support an energy efficiency rebate program offered by Missouri River Energy Services and an energy efficient water heater rebate program. Participants in the energy efficiency rebate program receive cash rebates for installing energy efficient equipment in their home or business. All participants in the water heater rebate program are required to be on the load management system.

The Board of Trustees has designated certain funds to be placed in an Economic Development Savings Account to be used for future economic development with the City of Denison. The effects of the use of the Economic Development Fund have not been quantified above. The Utility has also provided in-kind donations of labor and materials for a variety of projects affecting City properties, which also have not been quantified.

ADDITIONAL FINANCIAL INFORMATION

This financial report is designed to provide the Utilities rate payers, creditors and other interested parties with a general overview of the Utilities finances and operating activities. If you have any questions regarding the information included in this report or wish to request additional financial information, please contact the Manager of Finance and Customer Information at PO Box 518, Denison, IA 51442.

BASIC FINANCIAL STATEMENTS

DENISON MUNICIPAL UTILITIES
STATEMENTS OF NET POSITION
June 30, 2021 and 2020

Exhibit A

	BUSINESS-TYPE ACTIVITIES	
	2021	2020
ASSETS		
CURRENT ASSETS		
Restricted		
Consumers' deposit fund	\$ 60,581	\$ 57,606
Unrestricted		
Cash	2,423,192	1,919,781
Deposits and investments	7,150,448	4,788,147
Accounts receivable	272,706	234,652
Unbilled usage	1,446,315	1,390,092
Due from other funds	13,563	14,500
Interest receivable	2,705	12,810
Inventory	996,292	1,049,245
Prepaid insurance	242,378	226,761
Total Current Assets	<u>\$ 12,608,180</u>	<u>\$ 9,693,594</u>
OTHER ASSETS		
Restricted		
Revenue bond reserve	\$ 344,509	\$ 763,150
Loan origination fee, net of accumulated amortization	0	2,487
Unrestricted		
Equipment replacement investment	4,369,447	3,792,409
	<u>\$ 4,713,956</u>	<u>\$ 4,558,046</u>
UTILITY PLANT		
Plant in Service, at cost	\$ 85,071,793	\$ 83,717,729
Less: Accumulated depreciation	41,971,521	39,935,029
Net Utility Plant	<u>\$ 43,100,272</u>	<u>\$ 43,782,700</u>
 Total Assets	 <u>\$ 60,422,408</u>	 <u>\$ 58,034,340</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows	<u>\$ 385,155</u>	<u>\$ 428,161</u>

See notes to financial statements.

DENISON MUNICIPAL UTILITIES
STATEMENTS OF NET POSITION
June 30, 2021 and 2020

Exhibit A

	BUSINESS-TYPE ACTIVITIES	
	2021	2020
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 998,614	\$ 937,300
Due to other funds	13,564	14,500
Accrued vacation and sick leave	404,587	377,035
Other accrued liabilities	118,389	125,594
Payable from restricted assets		
Current maturities of long-term debt	340,000	650,000
Interest payable	8,403	12,661
Consumers' deposits	59,612	56,667
Total Current Liabilities	\$ 1,943,169	\$ 2,173,757
LONG-TERM DEBT		
Net of current maturities	\$ 6,165,000	\$ 6,202,000
NONCURRENT LIABILITIES		
Net pension liability	\$ 1,672,530	\$ 1,410,804
Total OPEB liability	124,123	292,590
Total Noncurrent liabilities	\$ 1,796,653	\$ 1,703,394
Total Liabilities	\$ 9,904,822	\$ 10,079,151
DEFERRED INFLOWS OF RESOURCES		
Pension related deferred inflows	\$ 65,353	\$ 302,301
NET POSITION		
Net Investment in Capital Assets	\$ 36,595,272	\$ 36,933,187
Restricted:		
Debt Service	336,106	750,489
Consumer Deposits	969	939
Unrestricted net assets	13,905,041	10,396,434
Total Net Position	\$ 50,837,388	\$ 48,081,049

See notes to financial statements.

DENISON MUNICIPAL UTILITIES
COMBINING STATEMENTS OF NET POSITION - PROPRIETARY FUNDS
June 30, 2021 and 2020

Exhibit B

	Electric Utility	Water Utility	Sewer Utility	Joint Treatment	Total 2021	Total 2020
ASSETS						
CURRENT ASSETS						
Restricted						
Consumers' deposit fund	\$ 60,581	0	0	0	60,581	57,606
Unrestricted						
Cash	1,340,977	280,592	308,314	493,309	2,423,192	1,919,781
Deposits and investments	5,278,834	1,360,301	511,313	0	7,150,448	4,788,147
Accounts receivable	177,165	30,546	64,995	0	272,706	234,652
Unbilled usage	885,360	238,407	147,920	174,628	1,446,315	1,390,092
Due from other funds	3,936	4,164	3,133	2,330	13,563	14,500
Interest receivable	1,654	61	12	978	2,705	12,810
Inventory	920,090	76,202	0	0	996,292	1,049,245
Prepaid insurance	96,206	84,255	24,271	37,646	242,378	226,761
Total Current Assets	<u>\$ 8,764,803</u>	<u>2,074,528</u>	<u>1,059,958</u>	<u>708,891</u>	<u>12,608,180</u>	<u>9,693,594</u>
OTHER ASSETS						
Restricted						
Revenue bond reserve	\$ 0	290,653	20,023	33,833	344,509	763,150
Loan origination fee, net of accumulated amortization	0	0	0	0	0	2,487
Unrestricted						
Equipment replacement investment	0	0	0	4,369,447	4,369,447	3,792,409
Total Other Assets	<u>\$ 0</u>	<u>290,653</u>	<u>20,023</u>	<u>4,403,280</u>	<u>4,713,956</u>	<u>4,558,046</u>
UTILITY PLANT						
Plant in Service, at cost	\$ 27,469,366	27,072,859	11,254,629	19,274,939	85,071,793	83,717,729
Less: Accumulated depreciation	16,391,262	14,817,724	4,588,408	6,174,127	41,971,521	39,935,029
Net Utility Plant	<u>\$ 11,078,104</u>	<u>12,255,135</u>	<u>6,666,221</u>	<u>13,100,812</u>	<u>43,100,272</u>	<u>43,782,700</u>
Total Assets	<u>\$ 19,842,907</u>	<u>14,620,316</u>	<u>7,746,202</u>	<u>18,212,983</u>	<u>60,422,408</u>	<u>58,034,340</u>
DEFERRED OUTFLOWS OF RESOURCES						
Pension related deferred outflows	<u>\$ 150,051</u>	<u>117,055</u>	<u>54,682</u>	<u>63,367</u>	<u>385,155</u>	<u>428,161</u>

See notes to financial statements.

DENISON MUNICIPAL UTILITIES
COMBINING STATEMENTS OF NET POSITION - PROPRIETARY FUNDS
June 30, 2021 and 2020

Exhibit B

	<u>Electric Utility</u>	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Joint Treatment</u>	<u>Total 2021</u>	<u>Total 2020</u>
LIABILITIES						
CURRENT LIABILITIES						
Accounts payable	\$ 832,695	50,837	107,391	7,691	998,614	937,300
Due to other funds	6,085	1,977	4,106	1,396	13,564	14,500
Accrued vacation and sick leave	218,436	76,224	43,226	66,701	404,587	377,035
Other accrued liabilities	51,125	31,546	20,578	15,140	118,389	125,594
Payable from restricted assets						
Current maturities of long-term debt	0	78,000	90,563	171,437	340,000	650,000
Interest payable	0	3,935	1,546	2,922	8,403	12,661
Consumers' deposits	59,612	0	0	0	59,612	56,667
Total Current Liabilities	<u>\$ 1,167,953</u>	<u>242,519</u>	<u>267,410</u>	<u>265,287</u>	<u>1,943,169</u>	<u>2,173,757</u>
LONG-TERM DEBT -						
Net of current maturities	<u>\$ 0</u>	<u>1,271,000</u>	<u>1,691,660</u>	<u>3,202,340</u>	<u>6,165,000</u>	<u>6,202,000</u>
NONCURRENT LIABILITIES						
Net pension liability	\$ 684,216	474,104	257,583	256,627	1,672,530	1,410,804
Total OPEB liability	<u>35,732</u>	<u>17,872</u>	<u>49,109</u>	<u>21,410</u>	<u>124,123</u>	<u>292,590</u>
Total Noncurrent liabilities	<u>\$ 719,948</u>	<u>491,976</u>	<u>306,692</u>	<u>278,037</u>	<u>1,796,653</u>	<u>1,703,394</u>
 Total Liabilities	 <u>\$ 1,887,901</u>	 <u>2,005,495</u>	 <u>2,265,762</u>	 <u>3,745,664</u>	 <u>9,904,822</u>	 <u>10,079,151</u>
DEFERRED INFLOWS OF RESOURCES						
Pension related deferred inflows	<u>\$ 25,643</u>	<u>19,663</u>	<u>9,781</u>	<u>10,266</u>	<u>65,353</u>	<u>302,301</u>
NET POSITION						
Net Investment in Capital Assets	\$ 11,078,104	10,906,135	4,883,998	9,727,035	36,595,272	36,933,187
Restricted:						
Debt Service	0	286,718	18,477	30,911	336,106	750,489
Consumer Deposits	969	0	0	0	969	939
Unrestricted	<u>7,000,341</u>	<u>1,519,360</u>	<u>622,866</u>	<u>4,762,474</u>	<u>13,905,041</u>	<u>10,396,434</u>
Total Net Position	<u>\$ 18,079,414</u>	<u>12,712,213</u>	<u>5,525,341</u>	<u>14,520,420</u>	<u>50,837,388</u>	<u>48,081,049</u>

See notes to financial statements.

DENISON MUNICIPAL UTILITIES
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS
Years Ended June 30, 2021 and 2020

Exhibit C

	Electric Utility	Water Utility	Sewer Utility	Joint Treatment	Total 2021	Total 2020
OPERATING REVENUES						
Sales to consumers	\$ 10,153,914	2,631,658	1,576,667	1,970,625	16,332,864	16,651,533
Other operating revenues	25,341	0	0	0	25,341	21,034
Total operating revenues	<u>\$ 10,179,255</u>	<u>2,631,658</u>	<u>1,576,667</u>	<u>1,970,625</u>	<u>16,358,205</u>	<u>16,672,567</u>
OPERATING EXPENSES						
Cost of Power	\$ 7,269,746	0	0	0	7,269,746	7,574,214
Administrative & general	425,928	231,590	116,245	162,656	936,419	905,271
Transportation	30,982	13,069	25,037	10,070	79,158	72,875
Property, liability & work comp Insurance	113,983	100,185	33,918	55,640	303,726	255,042
Payroll tax expense	175,950	132,982	68,009	69,586	446,527	446,953
Employee insurance	129,321	119,071	68,095	57,950	374,437	535,715
Waste water processing expense	0	0	0	572,271	572,271	753,931
Joint treatment costs	0	0	416,647	0	416,647	523,561
Repair & maintenance	143,240	0	108,215	0	251,455	212,808
Power & pumping	0	247,094	44,801	0	291,895	342,270
Transmission & distribution	605,644	327,842	169,338	0	1,102,824	933,105
Purification	0	622,248	0	0	622,248	638,567
Consumer accounting & collection	99,927	81,136	76,822	0	257,885	250,391
Total operating expenses excluding depreciation	<u>\$ 8,994,721</u>	<u>1,875,217</u>	<u>1,127,127</u>	<u>928,173</u>	<u>12,925,238</u>	<u>13,444,703</u>
OPERATING INCOME BEFORE DEPRECIATION	\$ 1,184,534	756,441	449,540	1,042,452	3,432,967	3,227,864
DEPRECIATION	<u>699,911</u>	<u>594,637</u>	<u>278,204</u>	<u>463,740</u>	<u>2,036,492</u>	<u>1,931,102</u>
OPERATING INCOME (LOSS)	\$ 484,623	161,804	171,336	578,712	1,396,475	1,296,762
NONOPERATING REVENUES (EXPENSES)						
Miscellaneous	\$ 1,542,939	84,523	30,553	36,620	1,694,635	927,134
Interest income	17,523	4,994	761	11,889	35,167	157,226
Interest expense	0	(30,255)	(18,019)	(33,835)	(82,109)	(131,519)
Gain (Loss) on the sale of property and equipment	0	0	0	0	0	0
Economic Development expense	(25,000)	0	0	0	(25,000)	(11,092)
Total nonoperating revenues (expenses)	<u>\$ 1,535,462</u>	<u>59,262</u>	<u>13,295</u>	<u>14,674</u>	<u>1,622,693</u>	<u>941,749</u>
Income (Loss) before Transfers	\$ 2,020,085	221,066	184,631	593,386	3,019,168	2,238,511
TRANSFERS OUT	<u>(244,928)</u>	<u>(10,773)</u>	<u>(7,128)</u>	<u>0</u>	<u>(262,829)</u>	<u>(281,051)</u>
CHANGE IN NET POSITION	\$ 1,775,157	210,293	177,503	593,386	2,756,339	1,957,460
NET POSITION, BEGINNING OF YEAR	<u>16,304,257</u>	<u>12,501,920</u>	<u>5,347,838</u>	<u>13,927,034</u>	<u>48,081,049</u>	<u>46,123,589</u>
NET POSITION, END OF YEAR	<u>\$ 18,079,414</u>	<u>12,712,213</u>	<u>5,525,341</u>	<u>14,520,420</u>	<u>50,837,388</u>	<u>48,081,049</u>

See notes to financial statements.

DENISON MUNICIPAL UTILITIES
COMBINING STATEMENTS OF CASH FLOWS - PROPRIETARY FUNDS
Years Ended June 30, 2021 and 2020

Exhibit D

	Electric Utility	Water Utility	Sewer Utility	Joint Treatment	Total 2021	Total 2020
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers and users	\$ 10,168,969	2,626,230	1,539,769	1,932,016	16,266,984	16,411,282
Cash received from other revenues	1,568,678	85,680	31,305	52,095	1,737,758	1,118,955
Cash paid for personal services	(502,371)	(427,438)	(267,711)	(201,350)	(1,398,870)	(1,325,400)
Cash paid to suppliers	(8,759,695)	(1,552,793)	(799,018)	(769,193)	(11,880,699)	(13,126,926)
Net cash provided by (used in) operating activities	<u>2,475,581</u>	<u>731,679</u>	<u>504,345</u>	<u>1,013,568</u>	<u>4,725,173</u>	<u>3,077,911</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale/maturities of securities	1,262,185	464,028	113,064	751,101	2,590,378	7,555,649
Purchase of investment securities	(3,163,271)	(372,573)	(226,261)	(1,348,971)	(5,111,076)	(5,018,502)
Net cash provided by (used in) investing activities	<u>(1,901,086)</u>	<u>91,455</u>	<u>(113,197)</u>	<u>(597,870)</u>	<u>(2,520,698)</u>	<u>2,537,147</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of property and equipment	(606,528)	(202,040)	(221,498)	(323,998)	(1,354,064)	(6,000,914)
Proceeds from sale of property and equipment	0	0	0	0	0	0
Proceeds from long-term borrowing	0	0	95,394	244,048	339,442	1,147,783
Principal payments on long-term borrowings	0	(428,000)	(89,421)	(169,021)	(686,442)	(836,000)
Net cash provided by (used in) capital and related financing activities	<u>(606,528)</u>	<u>(630,040)</u>	<u>(215,525)</u>	<u>(248,971)</u>	<u>(1,701,064)</u>	<u>(5,689,131)</u>
Net increase (decrease) in cash and cash equivalents	(32,033)	193,094	175,623	166,727	503,411	(74,073)
Cash and cash equivalents:						
Beginning	1,373,010	87,498	132,691	326,582	1,919,781	1,993,854
Ending	<u>\$ 1,340,977</u>	<u>280,592</u>	<u>308,314</u>	<u>493,309</u>	<u>2,423,192</u>	<u>1,919,781</u>

See notes to financial statements.

DENISON MUNICIPAL UTILITIES
COMBINING STATEMENTS OF CASH FLOWS - PROPRIETARY FUNDS
Years Ended June 30, 2021 and 2020

Exhibit D

	Electric Utility	Water Utility	Sewer Utility	Joint Treatment	Total 2021	Total 2020
Reconciliation of operating income to net cash provided by operating activities:						
Change in Net Position	\$ 1,775,157	210,293	177,503	593,386	2,756,339	1,957,460
Adjustments to reconcile change in net position to net cash provided by (used in) operating activities:						
Depreciation	699,911	594,637	278,204	463,740	2,036,492	1,931,102
Amortization of origination fees	0	2,487	0	0	2,487	2,487
(Gain) Loss on the sale of property and equipment	0	0	0	0	0	0
Changes in assets and liabilities						
(Increase) decrease in consumers' deposit fund	(2,975)	0	0	0	(2,975)	3,487
(Increase) decrease in trade receivables	4,306	(1,976)	(40,384)	0	(38,054)	(182,436)
(Increase) decrease in unbilled usage	(12,251)	(8,855)	2,539	(37,656)	(56,223)	(64,519)
(Increase) decrease in inventories	60,267	(7,314)	0	0	52,953	(84,352)
(Increase) decrease in prepaid expenses	(12,953)	(11,896)	1,700	7,532	(15,617)	(30,651)
(Increase) decrease in other current assets	5,905	1,566	938	2,633	11,042	20,544
Increase (decrease) in accounts payable	22,935	(35,578)	94,294	(20,337)	61,314	(582,010)
Increase (decrease) in accrued vacation & sick leave	8,834	5,126	1,216	12,376	27,552	31,494
Increase (decrease) in other accrued liabilities	(4,246)	(5,504)	2,868	(5,517)	(12,399)	22,984
Increase (decrease) in customer deposits	2,945	0	0	0	2,945	(3,765)
Increase (decrease) in net pension liability	99,580	78,938	41,046	42,162	261,726	(94,728)
Increase (decrease) in OPEB liability	(95,076)	(32,680)	(24,082)	(16,629)	(168,467)	(28,095)
(Increase) decrease in deferred outflows of resources	21,631	6,081	7,812	7,482	43,006	162,947
Increase (decrease) in deferred inflows of resources	(98,389)	(63,646)	(39,309)	(35,604)	(236,948)	15,962
Net cash provided by operating activities	\$ 2,475,581	731,679	504,345	1,013,568	4,725,173	3,077,911
Reconciliation of cash and cash equivalents at year end to specific assets included in the Statement of Net Position:						
Current assets:						
Cash	\$ 1,340,977	280,592	308,314	493,309	2,423,192	1,919,781
Cash and cash equivalents end of year	\$ 1,340,977	280,592	308,314	493,309	2,423,192	1,919,781

See notes to financial statements.

DENISON MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 1 – Summary of Significant Accounting Policies

The Denison Municipal Utilities (the Utilities) is governed by a Board of Trustees who are appointed by the Mayor of Denison, Iowa and approved by the City Council. Services provided are electric, water, sewer and joint treatment for industrial waste. A communication utility was established by referendum in November, 1997. To date, it has no assets and no customers.

The financial statements of Denison Municipal Utilities have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board. The significant accounting principles and policies utilized by the utilities are described below:

Reporting entity

Criteria specified by the Governmental Accounting Standards Board have been applied in determining the scope of the reporting entity for financial reporting purposes. Specifically, those offices and activities over which the Board of Trustees exercises oversight responsibility are included in these financial statements. Manifestations of oversight responsibility over an entity include: (1) financial interdependency, (2) selection of governing authority, (3) designation of management, (4) ability to significantly influence operations and (5) accountability for fiscal matters.

In accordance with these criteria the Denison Municipal Utilities has been identified as a component unit of the City of Denison, Iowa, due primarily to the fact that the City of Denison selects the Board of Trustees.

Basis of Presentation

The accounts of Denison Municipal Utilities are organized on the basis of enterprise funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by a separate set of self-balancing accounts which comprise its assets, liabilities, net position, revenues and expenses. The various funds are Electric, Water, Sewer and Joint Treatment.

The Statement of Net Position displays the Utilities assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net Investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position that does not meet the definition of “restricted” or “invested in capital assets.” Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

Measurement Focus and Basis of Accounting

The proprietary funds financial statements are reported using the flow of economic resources focus to determine net income and financial position. The accounting principles used are similar to those applicable to businesses in the private sector and, thus, these funds are maintained on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred regardless of the timing of related cash flows.

Denison Municipal Utilities distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with Denison Municipal Utilities’ principal ongoing operations. The principal operating revenues of the Utilities are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position

The following accounting policies are followed in preparing the financial statements:

Cash, Investments and Cash Equivalents - The Utilities considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months. There were no cash equivalents as of June 30, 2021. Investments consist of non-negotiable certificates of deposit which are stated at cost.

Restricted Assets - Funds set aside for payment of customer deposits are classified as restricted. Also, funds set aside for payment of bond principal and interest are classified as restricted. Funds classified as restricted are not available to pay expenses other than those expenses for which the fund is restricted in accordance with the Utilities policy. The amount and purpose of the restricted net assets are as follows:

Restricted For	2021	2020	2019
Debt Service	\$ 336,106	\$ 750,489	\$ 767,806
Consumer Deposits	969	939	661

Receivables, Unbilled Usage and Credit Policies - Accounts receivable are uncollateralized customer obligations due under normal terms requiring payment twenty days after the billing date. Unpaid accounts receivable are considered delinquent and are assessed a penalty. Payments of accounts receivable are allocated to the specific bills identified by the customer, or if unspecified, are applied to the earliest unpaid bill.

Accounts receivable are stated at the amount billed to the customer plus any unpaid penalties and are recorded in the period the service is rendered. Management reviews all accounts receivable balances that are delinquent and charges those amounts to expense that are deemed to be uncollectible.

Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

Inventories - Materials and supplies inventory are held for consumption and are valued at average cost.

Utility Plant/Capital Assets – Capital assets, which include utility plants, infrastructure, facilities and equipment are accounted for at historical cost or estimated historical cost where historical cost is not available. Where additions are made by Utilities personnel, the direct cost of materials and labor are capitalized. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method using the following assets lives:

Plant	20-40 years
Distribution & Collection	15-40 years
Machinery & Equipment	5-10 years
General Buildings	30-40 years
Transportation Equipment	5-10 years

Major renewals and betterments are capitalized at cost. Maintenance and repairs are expensed as incurred.

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Compensated Absences - The Utilities allows employees to accumulate a maximum of 25 working days of vacation leave. An employee may carry forward a maximum of ten days of each year's earned vacation. Any vacation leave in excess of the limits will be lost. Upon separation from the Utilities, unused vacation leave will be paid to the employee.

The Utilities also allows employees to accumulate up to a total of 60 working days of sick leave. If sick leave is not used during the year, a minimum of six days of unused sick leave must be carried forward. Employees may elect to take pay for unused sick leave in excess of the six days which must be carried forward to the maximum accumulation of 60 days. At such time as 60 days of sick leave have been accumulated, an employee may elect to take pay for all unused sick leave earned in a year. Pay shall be granted to an employee for unused sick leave upon separation from the Utilities.

Long-Term Liabilities - Long-term debt and other obligations are reported as liabilities. Bond premiums and discounts, as well as origination fee, are deferred and amortized over the life of the respective debt.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Total OPEB Liability – For purposes of measuring the total OPEB liability, information has been determined based on the specified alternative measurement valuation for Denison Municipal Utilities. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources in the Statement of Net Position consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Designated Net Position - The Board of Trustees has designated certain funds to be placed in cash reserve funds. These cash reserve funds, which are from unrestricted net position, are designated as emergency funds and shall only be expended for that purpose. The cash reserve funds are not to be used to pay for ongoing operating expenditures or capital improvements unless approved by the Board. The Board has also designated certain funds to be placed in an Economic Development Savings Account to be used for future economic development within the City of Denison.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. As of the date of issuance of the accompanying financial statements, no material changes to the estimates used therein were anticipated by management in the near term.

Budgets and Budgetary Accounting

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget for Electric, Water, Sewer and Joint Treatment. The budget of the Utilities is submitted following required public notice and hearing.

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2021, disbursements did not exceed the amounts budgeted.

Note 2 – Deposits and Investments

The Utilities deposits, in banks, at June 30, 2021 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. The chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Utilities is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper, perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Utilities had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

Note 3 – Utility Plant

Capital asset activity for the year ended June 30, 2021 is as follows:

	Beginning Balance	Additions	Reclassified and Retired	Ending Balance
Land	\$ 1,627,112	\$ 0	\$ 0	\$ 1,627,112
Transmission Land & Land Rights	82,602	0	0	82,602
River Levee	212,153	0	0	212,153
Non-Depreciable Capital Assets	<u>1,921,867</u>	<u>0</u>	<u>0</u>	<u>1,921,867</u>
Plant	23,509,709	579,496	0	24,089,205
Transmission Plant	4,080,841	0	0	4,080,841
Distribution & Collection	29,975,918	542,177	0	30,518,095
Machinery & Equipment	1,967,989	48,074	0	2,016,063
General Buildings	2,217,271	109,867	0	2,327,138
Transportation Equipment	1,720,654	0	0	1,720,654
Joint Treatment Facility	<u>18,323,480</u>	<u>74,450</u>	<u>0</u>	<u>18,397,930</u>
Depreciable Capital Assets	81,795,862	1,354,064	0	83,149,926
Less Accumulated Depreciation	<u>39,935,029</u>	<u>2,036,492</u>	<u>0</u>	<u>41,971,521</u>
Depreciable Capital Assets-Net	<u>41,860,833</u>	<u>(682,428)</u>	<u>0</u>	<u>41,178,405</u>
Net Capital Assets	<u>\$43,782,700</u>	<u>\$ (682,428)</u>	<u>\$ 0</u>	<u>\$43,100,272</u>

Depreciation charged to operations for the years ended June 30, 2021, 2020, and 2019 was \$2,036,492, \$1,931,102, and \$1,684,809 respectively. Construction in progress included in the above amounts is \$72,679, \$35,434, and \$8,487,878 for June 30, 2021, 2020, and 2019 respectively. No depreciation was taken on the construction in progress amounts.

Note 4 – Loan Origination Fee

The original cost of the loan origination fee for the Water Revenue Capital Loan – Series 2001 was \$48,080, which was incurred in March 2002 and was amortized over the life of the loan.

Note 5 – Long-Term Debt

Following is a summary of changes in the water utility long-term debt for the year ended June 30, 2021:

	Series 2001 Water Revenue Capital Loan Note	Series 2010 Water Revenue Capital Loan Note	Series 2016 Water Revenue Capital Loan Note	Total Debt Payable
Balance July 1, 2020	314,000	39,000	1,424,000	1,777,000
Issued	0	0	0	0
Redeemed	<u>(314,000)</u>	<u>(39,000)</u>	<u>(75,000)</u>	<u>(428,000)</u>
Balance June 30, 2021	0	0	1,349,000	1,349,000
Less: current portion	<u>0</u>	<u>0</u>	<u>(78,000)</u>	<u>(78,000)</u>
Long-term debt, net of current portion	<u>0</u>	<u>0</u>	<u>1,271,000</u>	<u>1,271,000</u>

Annual debt service requirements to maturity for water revenue notes are as follows:

Year Ending June 30	Series 2016		
	Principal	Interest	Service Fees
2022	\$ 78,000	23,607	3,373
2023	80,000	22,242	3,177
2024	81,000	20,843	2,978
2025	83,000	19,425	2,775
2026	84,000	17,973	2,568
2027-2031	448,000	67,130	9,590
2032-2036	495,000	26,337	3,762
	<u>\$ 1,349,000</u>	<u>197,557</u>	<u>28,223</u>

The Utilities has pledged future water utility revenue, net of specified operating expenses, to repay outstanding water revenue bonds. The bonds are payable solely from the water utility's net revenues. Revenue bond provisions include requirements to make sufficient monthly transfers to Water sinking fund accounts for the purpose of paying bond principal and interest when due. These requirements have been met.

On October 19, 2020, the resolution approved June 18, 2018, authorizing and providing for the issuance of \$10,206,000 Sewer Revenue Capital Loan Notes, Series 2018A through the Iowa Finance Authority for the Wastewater Treatment Plant Improvement project, was amended to reflect the addition of a Sponsored Project as a purpose for which the loan shall be used, and the interest rate reduction to 1.04% per annum on the new principal amount of \$5,849,000 from and after June 1, 2020 for the remainder of the life of the new note. Following is a summary of changes in the sewer and joint treatment long-term debt for the year ended June 30, 2021:

	Sewer Revenue Capital Loan Note	Joint Treatment Revenue Capital Loan Note	Total Series 2018A Capital Loan Note
Balance July 1, 2020	1,776,250	3,298,750	5,075,000
Issued	95,394	244,048	339,442
Redeemed	(89,421)	(169,021)	(258,442)
Balance June 30, 2021	1,782,223	3,373,777	5,156,000
Less: current portion	(90,563)	(171,437)	(262,000)
Long-term debt, net of current portion	<u>1,691,660</u>	<u>3,202,340</u>	<u>4,894,000</u>

Estimated annual debt service requirements to maturity are as follows:

Year Ending June 30	Sewer			Joint			Total Series 2018A		
	Principal	Interest	Service Fees	Principal	Interest	Service Fees	Principal	Interest	Service Fees
2022	\$ 90,563	18,553	4,460	171,437	35,069	8,430	262,000	53,622	12,890
2023	91,600	17,611	4,233	173,400	33,287	8,002	265,000	50,898	12,235
2024	92,291	16,657	4,004	174,709	31,485	7,569	267,000	48,142	11,573
2025	93,328	15,696	3,773	176,672	29,669	7,132	270,000	45,365	10,905
2026	94,365	14,725	3,540	178,635	27,832	6,690	273,000	42,557	10,230
2027-2031	487,035	58,672	14,104	921,965	110,900	26,659	1,409,000	169,572	40,763
2032-2036	512,614	32,807	7,886	970,386	62,010	14,907	1,483,000	94,817	22,793
2037-2039	320,427	6,693	1,609	606,573	12,651	3,041	927,000	19,344	4,650
	<u>\$ 1,782,223</u>	<u>181,414</u>	<u>43,609</u>	<u>3,373,777</u>	<u>342,903</u>	<u>82,430</u>	<u>5,156,000</u>	<u>524,317</u>	<u>126,039</u>

The Utilities has pledged future sewer and joint treatment utility revenues, net of specified operating expenses, to repay outstanding sewer revenue bonds. The bonds will be payable solely from the sewer and joint treatment utility's net revenues. Revenue bond provisions include requirements to make sufficient monthly transfers to Sewer sinking fund accounts for the purpose of paying bond principal and interest when due. These requirements have been met.

Note 6 – Pension and Retirement Benefits

Plan Description – Employees of the Utility are provided with pensions through a cost-sharing multiple-employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS membership is mandatory for employees of the Utility. IPERS issues a stand-alone financial report which is available to the public by mail at PO Box 9117, Des Moines, IA 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan document for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a

member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2021, pursuant to the required rate, members contributed 6.29% of their annual covered salary and the Utilities contributed 9.44% of annual covered payroll for a total rate of 15.73%. The Utilities' total contributions to IPERS for the years ended June 30, 2021, 2020, and 2019 were \$187,932, \$178,373, and \$175,032 respectively, equal to the required contributions for the year.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2021, the Utility reported a liability of \$1,672,530 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Utility's proportion of the net pension liability was based on the Utility's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2020, the Utility's collective proportion was 0.0238092% which was a decrease of 0.0005542% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Utility recognized pension expense of \$256,559. At June 30, 2021, the Utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,847	\$ 39,643
Changes of assumptions	85,849	0
Net difference between projected and actual earnings on IPERS' investments	94,022	0
Changes in proportion and differences between Utility contributions and the Utility's proportionate share of contributions	15,505	25,710
Utility contributions subsequent to the measurement date	<u>187,932</u>	<u>0</u>
Total	<u>\$ 385,155</u>	<u>\$ 65,353</u>

\$187,932 reported as deferred outflows of resources related to pensions resulting from the Utility contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Total</u>
2022	\$ 16,106
2023	30,757
2024	33,177
2025	53,567
2026	<u>(1,737)</u>
	\$ <u>131,870</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.60% per annum
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25%, average, including inflation. Rates vary by membership group
Long-term Investment rate of return (effective June 30, 2017)	7.00%, compounded annually, net of investment expense, including inflation
Wage growth (effective June 30, 2017)	3.25% per annum based on 2.60% inflation and 0.65% real wage inflation

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2020 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Asset Allocation</u>	<u>Real Rate of Return</u>
Domestic Equity	22.0%	4.43%
International Equity	17.5	5.15
Global smart beta equity	6.0	4.87
Core Plus Fixed Income	28.0	(0.29)
Public Credit	4.0	2.29
Cash	1.0	(0.78)
Private Equity	11.0	6.54
Private Real Assets	7.5	4.48
Private Credit	<u>3.0</u>	3.11
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will

be made at the contractually required rates and contributions from the Utility will be made at the contractually required rates, actuarially determined. Based on those assumptions, the IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Utility's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Utility's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Utility's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.0%) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Utility's proportionate share of the net pension liability	\$ 2,788,803	\$ 1,672,530	\$ 736,553

IPERS' Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS – At June 30, 2021, the Utility reported payables to IPERS of \$14,834 for legally required employer contributions and \$9,884 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 7 – Major Customers

A significant portion of the Electric Utility and Water Utility revenue is derived from a single customer. This customer accounted for approximately 33.5% of the Electric Utility usage and 39.7% of the Water Utility usage for the year ended June 30, 2021.

Note 8 – Concentrations

Denison Municipal Utilities provides utility services to residential, commercial, and industrial customers in a specified service area in and around the City of Denison, Iowa. Credit is granted to substantially all customers, all of whom are local businesses and residents. All new customers of the Utilities are required to pay a deposit to start service unless the customer provides a credit reference from a previous utility company. The deposit is applied to the customer's utility account after seven months of timely payments or refunded to a customer if a deposit remains when they move out of the Utilities service area. Possible credit risks have been anticipated and management believes that adequate provision has been made for doubtful accounts.

Note 9 – Post-employment Benefits (OPEB)

Plan Description – The Utility administers a single-employer benefit plan which provides medical, prescription drug and dental benefits for employees, their dependents and retirees. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by the Utility and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. The Utilities has also

elected to provide an additional benefit of paying a percentage of the healthcare premium costs for retirees who meet certain employment criteria with the Utility at retirement. The benefits are 100% of premium costs for employees retiring with thirty years of employment, 75% for employees with twenty-five years of employment and 50% for employees with twenty years of employment. Retirees not meeting the years of service at the Utility are eligible to continue healthcare benefits by paying 100% of the premium costs. Benefits terminate once a retired employee qualifies for Medicare. An implicit rate subsidy and an OPEB liability result from the retirees under age 65 paying the same premium for the benefits as active employees.

Retired participants must be age 55 or older at retirement. At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	1
Active employees	<u>29</u>
Total	<u>30</u>

Total OPEB Liability – The Utilities’ total OPEB liability of \$124,123 was measured as of June 30, 2021 and was determined by the specified alternative measurement method as of that date. The Utilities’ plan covers fewer than 100 employees.

Actuarial Assumptions – The total OPEB liability in the June 30, 2021 valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation	3.00% per year
Rates of salary increase	2.25% per year
Discount rate	2.25% per year
Healthcare Cost Trend Rate	4.50% per year

As an unfunded plan, the discount rate reflects the index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Changes in the Total OPEB Liability

Total OPEB liability beginning of year	\$ 292,590
Changes for the year:	
Service Cost	17,505
Interest	6,591
Difference between expected & actual experience	(181,022)
Benefit Payments	<u>(11,541)</u>
Net Changes	<u>(168,467)</u>
Total OPEB liability end of year	\$ <u>124,123</u>

The Alternative Measurement Method valuation was used in accordance with GASB Statement No. 75.

Sensitivity of the Utility’s Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the Utility, as well as what the Utility’s total OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 112,171	\$ 124,123	\$ 130,368

Sensitivity of the Utility's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the Utility, as well as what the Utility's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates.

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Assumed</u>	<u>1% Increase</u>
Total OPEB liability	\$ 112,480	\$ 124,123	\$ 137,982

Note 10 – Related Party Transactions

The were no business transactions between the Utilities and Utility officials during the year ended June 30, 2021.

Note 11 – Construction and Other Commitments

On February 18, 2021, the Utilities entered into a construction contract for the furnishing of a 67/13.2 kV power transformer for the West Receiving Substation with a cost of \$669,226. The cost of the power transformer will be paid upon delivery of the unit.

On March 10, 2003, the Utilities entered into an amended, substituted and restated contract, for the sale and purchase of water and for the sale of an undivided interest in Capacity of Water Supply, Treatment Works and Transmission Facilities with West Central Iowa Rural Water Association (WCIRW). The term of the contract extends for a period of 40 years from the date of the initial delivery of water as shown by the first water bill submitted by DMU to WCIRW under the original agreement dated September 12, 1996. WCIRW may obtain up to 1.5 million gallons per day excluding water needed during fire emergencies. In accordance with the contract, WCIRW has contributed capital in the amount of \$2,649,179 for its share of the capacity of the plant required by WCIRW (21.43%). WCIRW has agreed to purchase water from Denison Municipal Utilities at Denison Municipal Utilities' cost of production.

The WCIRW contract also provides that Denison Municipal Utilities shall retain ownership of its line, appurtenances, altitude valves, other valves and meters up to and including the meter within the present corporate limits of the City of Denison. Denison Municipal Utilities may purchase portions of WCIRW's system if the city limits of Denison are expanded.

Note 12 – Risk Management

The Utilities is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance coverage. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 13 – COVID-19

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of Denison Municipal Utilities remains uncertain.

To date, the outbreak has not created a material disruption to the operations of Denison Municipal Utilities. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to Denison Municipal Utilities.

Note 14 – Subsequent Events

On July 19, 2021, the Utilities entered into a contract for the installation of the 67/13.2 kV power transformer for the West Receiving Substation with a cost of \$697,000. Amounts under the contract will not be paid until the installation of the power transformer is complete.

Management has evaluated subsequent events through October 11, 2021, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

DENISON MUNICIPAL UTILITIES
BUDGETARY COMPARISON SCHEDULE
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021

	Per Financial Statement	Accrual Adjustments	Budget Adjustments	Cash Basis	Budget	Variance Favorable (Unfavorable)
Revenue/Receipts						
Charges for services	\$ 16,358,205	(91,221)	0	16,266,984	17,156,500	(889,516)
Interest Income	35,167	10,105	0	45,272	155,000	(109,728)
Miscellaneous	1,694,635	(2,149)	0	1,692,486	711,800	980,686
Bond Proceeds	0	0	339,442	339,442	2,625,000	(2,285,558)
Total Revenue/Receipts	<u>\$ 18,088,007</u>	<u>(83,265)</u>	<u>339,442</u>	<u>18,344,184</u>	<u>20,648,300</u>	<u>(2,304,116)</u>
Expenses/Expenditures						
Operating expenses	\$ 12,925,238	(19,866)	0	12,905,372	14,408,050	1,502,678
Interest Expense & Economic Development	107,109	4,258	0	111,367	214,800	103,433
Transfers Out	262,829	0	0	262,829	304,500	41,671
Debt Payments	0	0	686,442	686,442	856,200	169,758
Depreciation & Capital Expenditures	2,036,492	0	(682,428)	1,354,064	4,198,000	2,843,936
Total Expenses/Expenditures	<u>\$ 15,331,668</u>	<u>(15,608)</u>	<u>4,014</u>	<u>15,320,074</u>	<u>19,981,550</u>	<u>4,661,476</u>
Change in Net Position	\$ 2,756,339	(67,657)	335,428	3,024,110	<u>666,750</u>	<u>(2,357,360)</u>
Beginning Net Postion	<u>48,081,049</u>	<u>(19,507,084)</u>	<u>(9,895,220)</u>	<u>18,678,745</u>		
Ending Net Position	<u>\$ 50,837,388</u>	<u>(19,574,741)</u>	<u>(9,559,792)</u>	<u>21,702,855</u>		

This budgetary comparison is presented as Required Supplementary Information in accordance with governmental generally accepted accounting principles. In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not at the fund type level. Budgeted expenditures were not exceeded.

DENISON MUNICIPAL UTILITIES
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2012	June 30, 2012	\$ 0	\$ 280,831	\$ 280,831	0.00%	\$1,510,275	18.6%
2013	June 30, 2012	\$ 0	\$ 280,831	\$ 280,831	0.00%	\$1,547,689	18.1%
2014	June 30, 2012	\$ 0	\$ 280,831	\$ 280,831	0.00%	\$1,591,026	17.7%
2015	June 30, 2015	\$ 0	\$ 295,703	\$ 295,703	0.00%	\$1,636,721	18.1%
2016	June 30, 2015	\$ 0	\$ 295,703	\$ 295,703	0.00%	\$1,754,045	16.9%
2017	June 30, 2015	\$ 0	\$ 295,703	\$ 295,703	0.00%	\$1,777,269	16.6%
2018	June 30, 2018	\$ 0	\$ 339,253	\$ 339,253	0.00%	\$1,824,963	18.6%
2019	June 30, 2019	\$ 0	\$ 320,685	\$ 320,685	0.00%	\$1,863,586	17.2%
2020	June 30, 2020	\$ 0	\$ 292,950	\$ 292,950	0.00%	\$1,896,999	15.4%
2021	June 30, 2021	\$ 0	\$ 124,123	\$ 124,123	0.00%	\$1,990,804	6.2%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

DENISON MUNICIPAL UTILITIES
SCHEDULE OF THE UTILITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST FISCAL YEAR*
REQUIRED SUPPLEMENTARY INFORMATION

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Utility's proportion of the net pension liability	0.0238092%	0.0243634%	0.0237907%	0.0237725%	0.0246551%	0.0241433%	0.0245676%
Utility's proportionate share of the net pension liability	\$ 1,672,530	\$ 1,410,804	\$ 1,505,532	\$ 1,583,551	\$ 1,551,624	\$ 1,192,797	\$ 974,328
Utility's covered-employee payroll	\$ 1,990,804	\$ 1,889,543	\$ 1,854,152	\$ 1,788,091	\$ 1,774,504	\$ 1,769,341	\$ 1,654,039
Utility's proportionate share of the net pension liability as a percentage of its covered-employee payroll	84.01%	74.66%	81.20%	88.56%	87.44%	67.41%	58.91%
Plan fiduciary net position as a percentage of the total pension liability	82.90%	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

*The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Utility will present information for those years for which information is available.

DENISON MUNICIPAL UTILITIES
SCHEDULE OF UTILITY CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Statutorily Required Contribution	Contributions in relation to Statutorily Required Contribution	Contribution Deficiency (Excess)	Utility's Covered-Employee Payroll	Contributions as a percentage of Covered-Employee Payroll
2021	\$ 187,932	\$ 187,932	\$ 0	\$1,990,804	9.44%
2020	\$ 178,373	\$ 178,373	\$ 0	\$1,889,543	9.44%
2019	\$ 175,032	\$ 175,032	\$ 0	\$1,854,152	9.44%
2018	\$ 159,677	\$ 159,677	\$ 0	\$1,788,091	8.93%
2017	\$ 158,463	\$ 158,463	\$ 0	\$1,774,504	8.93%
2016	\$ 158,002	\$ 158,002	\$ 0	\$1,769,341	8.93%
2015	\$ 147,706	\$ 147,706	\$ 0	\$1,654,039	8.93%
2014	\$ 143,559	\$ 143,559	\$ 0	\$1,607,600	8.93%
2013	\$ 135,073	\$ 135,073	\$ 0	\$1,554,100	8.69%
2012	\$ 123,430	\$ 123,430	\$ 0	\$1,521,591	8.11%

See accompanying independent auditors' report.

DENISON MUNICIPAL UTILITIES
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
PENSION LIABILITY
JUNE 30, 2021

Changes of benefit terms

There are no significant changes in benefit terms for Regular members.

Changes of assumptions

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

DENISON MUNICIPAL UTILITIES
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY, RELATED RATIOS AND NOTES
FOR THE LAST FOUR YEARS
REQUIRED SUPPLEMENTARY INFORMATION

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service Cost	\$ 17,505	34,237	31,339	26,587
Interest Cost	6,591	11,224	12,892	12,675
Difference between expected and actual experience	(181,382)	(47,487)	(41,273)	0
Benefit Payments	<u>(11,541)</u>	<u>(25,709)</u>	<u>(21,526)</u>	<u>(16,894)</u>
Net Change in Total OPEB Liability	<u>(168,827)</u>	<u>(27,735)</u>	<u>(18,568)</u>	<u>22,368</u>
Total OPEB liability beginning of year	<u>292,950</u>	<u>320,685</u>	<u>339,253</u>	<u>316,885</u>
Total OPEB liability end of year	<u>\$ 124,123</u>	<u>292,950</u>	<u>320,685</u>	<u>339,253</u>
Covered-employee payroll	\$1,990,804	1,896,999	1,863,586	\$1,824,963
Total OPEB liability as a percentage of covered-employee payroll	6.23%	15.44%	17.21%	18.59%

See accompanying independent auditor's report.

Notes to Schedule of Changes in Total OPEB Liability and Related Ratios

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30, 2021	2.25%
Year ended June 30, 2020	3.50%
Year ended June 30, 2019	3.80%
Year ended June 30, 2018	4.00%

SUPPLEMENTARY INFORMATION

**DENISON MUNICIPAL UTILITIES
ELECTRIC UTILITY
COMPARATIVE STATEMENT OF NET POSITION
June 30, 2021 and 2020**

Schedule 1

ASSETS	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Restricted		
Consumers' deposit fund	\$ 60,581	\$ 57,606
Unrestricted		
Cash	1,340,977	1,373,010
Deposits and investments	5,278,834	3,377,748
Accounts receivable	177,165	181,471
Unbilled usage	885,360	873,109
Due from other funds	3,936	3,742
Interest receivable	1,654	7,753
Inventory	920,090	980,357
Prepaid insurance	96,206	83,253
Total Current Assets	<u>\$ 8,764,803</u>	<u>\$ 6,938,049</u>
ELECTRIC UTILITY PLANT		
Plant in Service, at cost	\$ 27,469,366	\$ 26,862,838
Less: Accumulated depreciation	16,391,262	15,691,351
Net Electric Utility Plant	<u>\$ 11,078,104</u>	<u>\$ 11,171,487</u>
 Total Assets	 <u>\$ 19,842,907</u>	 <u>\$ 18,109,536</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows	<u>\$ 150,051</u>	<u>\$ 171,682</u>
 LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 832,695	\$ 809,760
Due to other funds	6,085	7,389
Accrued vacation and sick leave	218,436	209,602
Other accrued liabilities	51,125	54,067
Payable from restricted assets		
Consumers' deposits	59,612	56,667
Total Current Liabilities	<u>\$ 1,167,953</u>	<u>\$ 1,137,485</u>
NONCURRENT LIABILITIES		
Net pension liability	\$ 684,216	\$ 584,636
Total OPEB liability	35,732	130,808
Total Noncurrent liabilities	<u>\$ 719,948</u>	<u>\$ 715,444</u>
 Total Liabilities	 <u>\$ 1,887,901</u>	 <u>\$ 1,852,929</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related deferred inflows	<u>\$ 25,643</u>	<u>\$ 124,032</u>
 NET POSITION		
Net Investment in Capital Assets	\$ 11,078,104	\$ 11,171,487
Restricted for Consumer Deposits	969	939
Unrestricted	7,000,341	5,131,831
Total Net Position	<u>\$ 18,079,414</u>	<u>\$ 16,304,257</u>

See accompanying independent auditors' report.

DENISON MUNICIPAL UTILITIES
ELECTRIC UTILITY
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
Years Ended June 30, 2021 and 2020

Schedule 1

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Sales to consumers	\$ 10,153,914	\$ 10,600,872
Other operating revenues	25,341	21,034
Total operating revenues	\$ <u>10,179,255</u>	\$ <u>10,621,906</u>
OPERATING EXPENSES		
Cost of Power	\$ 7,269,746	\$ 7,574,214
Administrative & general	425,928	430,961
Transportation	30,982	37,082
Property, liability, work comp insurance	113,983	92,749
Payroll tax expense	175,950	175,533
Employee insurance	129,321	236,661
Repair & maintenance	143,240	99,050
Transmission & distribution	605,644	476,433
Consumer accounting & collection	99,927	84,794
Total operating expenses excluding depreciation	\$ <u>8,994,721</u>	\$ <u>9,207,477</u>
OPERATING INCOME BEFORE DEPRECIATION	\$ 1,184,534	\$ 1,414,429
DEPRECIATION	<u>699,911</u>	<u>633,204</u>
OPERATING INCOME (LOSS)	\$ <u>484,623</u>	\$ <u>781,225</u>
NONOPERATING REVENUES (EXPENSES)		
Miscellaneous	\$ 1,542,939	\$ 785,909
Gain on sale of property and equipment	0	0
Interest income	17,523	73,687
Economic Development expense	(25,000)	(11,092)
Total nonoperating revenues (expenses)	\$ <u>1,535,462</u>	\$ <u>848,504</u>
Income (Loss) before Transfers	\$ 2,020,085	\$ 1,629,729
TRANSFERS OUT	<u>(244,928)</u>	<u>(263,216)</u>
CHANGE IN NET POSITION	\$ 1,775,157	\$ 1,366,513
NET POSITION, BEGINNING OF YEAR	<u>16,304,257</u>	<u>14,937,744</u>
NET POSITION, END OF YEAR	\$ <u><u>18,079,414</u></u>	\$ <u><u>16,304,257</u></u>

See accompanying independent auditors' report.

**DENISON MUNICIPAL UTILITIES
ELECTRIC UTILITY
COMPARATIVE STATEMENT OF CASH FLOWS
Years Ended June 30, 2021 and 2020**

Schedule 1

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Position	\$ 1,775,157	\$ 1,366,513
Adjustments to reconcile change in net position to net cash provided by (used in) operating activities:		
Depreciation	699,911	633,204
Gain on sale of property and equipment	0	0
Changes in assets and liabilities		
(Increase) decrease in consumers' deposit fund	(2,975)	3,487
(Increase) decrease in trade receivables	4,306	(211,218)
(Increase) decrease in unbilled usage	(12,251)	(40,176)
(Increase) decrease in inventories	60,267	(78,195)
(Increase) decrease in prepaid expenses	(12,953)	(12,651)
(Increase) decrease in other current assets	5,905	16,444
Increase (decrease) in accounts payable	22,935	(10,252)
Increase (decrease) in accrued vacation & sick leave	8,834	27,136
Increase (decrease) in other accrued liabilities	(4,246)	8,102
Increase (decrease) in customer deposits	2,945	(3,765)
Increase (decrease) in net pension liability	99,580	(36,848)
Increase (decrease) in OPEB liability	(95,076)	(2,846)
(Increase) decrease in deferred outflows of resources	21,631	64,904
Increase (decrease) in deferred inflows of resources	(98,389)	6,210
Net cash provided by (used in) operating activities	<u>\$ 2,475,581</u>	<u>\$ 1,730,049</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale/maturities of securities	\$ 1,262,185	\$ 4,066,600
Purchase of investment securities	(3,163,271)	(2,793,907)
Net cash provided by (used in) investing activities	<u>\$ (1,901,086)</u>	<u>\$ 1,272,693</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of property and equipment	\$ (606,528)	\$ (3,148,692)
Proceeds from sale of property and equipment	0	0
Net cash provided by (used in) capital and related financing activities	<u>\$ (606,528)</u>	<u>\$ (3,148,692)</u>
Net increase (decrease) in cash and cash equivalents	\$ (32,033)	\$ (145,950)
Cash and cash equivalents:		
Beginning	1,373,010	1,518,960
Ending	<u><u>\$ 1,340,977</u></u>	<u><u>\$ 1,373,010</u></u>

See accompanying independent auditors' report.

**DENISON MUNICIPAL UTILITIES
ELECTRIC UTILITY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION-ACTUAL TO BUDGET
Year Ended June 30, 2021**

Schedule 2

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
OPERATING REVENUES			
Sales to consumers	\$ 10,153,914	10,925,000	(771,086)
Other operating revenues	25,341	30,000	(4,659)
Total operating revenues	<u>\$ 10,179,255</u>	<u>10,955,000</u>	<u>(775,745)</u>
OPERATING EXPENSES			
Cost of Power	\$ 7,269,746	8,450,000	1,180,254
Administrative & general	425,928	438,500	12,572
Transportation	30,982	48,500	17,518
Property, liability, work comp insurance	113,983	90,000	(23,983)
Payroll tax expense	175,950	140,500	(35,450)
Employee insurance	129,321	235,000	105,679
Repair & maintenance	143,240	104,500	(38,740)
Transmission & distribution	605,644	490,500	(115,144)
Consumer accounting & collection	99,927	90,000	(9,927)
Total operating expenses excluding depreciation	<u>\$ 8,994,721</u>	<u>10,087,500</u>	<u>1,092,779</u>
OPERATING INCOME BEFORE DEPRECIATION	\$ 1,184,534	867,500	317,034
DEPRECIATION	<u>699,911</u>	<u>615,000</u>	<u>(84,911)</u>
OPERATING INCOME (LOSS)	<u>\$ 484,623</u>	<u>252,500</u>	<u>232,123</u>
NONOPERATING REVENUES (EXPENSES)			
Miscellaneous	\$ 1,542,939	581,500	961,439
Interest income	17,523	75,000	(57,477)
Gain on sale of property and equipment	0	0	0
Economic Development expense	(25,000)	(100,000)	75,000
Total nonoperating revenues (expenses)	<u>\$ 1,535,462</u>	<u>556,500</u>	<u>978,962</u>
Income (Loss) before Transfers	\$ 2,020,085	809,000	1,211,085
TRANSFERS OUT	<u>(244,928)</u>	<u>(280,000)</u>	<u>35,072</u>
CHANGE IN NET POSITION	\$ 1,775,157	529,000	<u>1,246,157</u>
NET POSITION, BEGINNING OF YEAR	<u>16,304,257</u>	<u>12,849,674</u>	
NET POSITION, END OF YEAR	<u>\$ 18,079,414</u>	<u>13,378,674</u>	

See accompanying independent auditors' report.

DENISON MUNICIPAL UTILITIES
WATER UTILITY
COMPARATIVE STATEMENT OF NET POSITION
June 30, 2021 and 2020

Schedule 3

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Unrestricted		
Cash	\$ 280,592	\$ 87,498
Deposits and investments	1,360,301	999,261
Accounts receivable	30,546	28,570
Unbilled usage	238,407	229,552
Due from other funds	4,164	5,301
Interest receivable	61	490
Inventory	76,202	68,888
Prepaid insurance	84,255	72,359
Total Current Assets	<u>\$ 2,074,528</u>	<u>\$ 1,491,919</u>
OTHER ASSETS		
Revenue bond reserve	\$ 290,653	\$ 743,148
Loan origination fee	0	2,487
Total Other Assets	<u>\$ 290,653</u>	<u>\$ 745,635</u>
WATER UTILITY PLANT		
Plant in Service, at cost	\$ 27,072,859	\$ 26,870,819
Less: Accumulated depreciation	14,817,724	14,223,087
Net Water Utility Plant	<u>\$ 12,255,135</u>	<u>\$ 12,647,732</u>
Total Assets	<u>\$ 14,620,316</u>	<u>\$ 14,885,286</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows	<u>\$ 117,055</u>	<u>\$ 123,136</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 50,837	\$ 86,415
Due to other funds	1,977	2,152
Accrued vacation and sick leave	76,224	71,098
Other accrued liabilities	31,546	35,546
Payable from restricted assets		
Current maturities of long-term debt	78,000	428,000
Interest payable	3,935	5,264
Total Current Liabilities	<u>\$ 242,519</u>	<u>\$ 628,475</u>
LONG-TERM DEBT - Net of current maturities	<u>\$ 1,271,000</u>	<u>\$ 1,349,000</u>
NONCURRENT LIABILITIES		
Net pension liability	\$ 474,104	\$ 395,166
Total OPEB liability	17,872	50,552
Total Noncurrent liabilities	<u>\$ 491,976</u>	<u>\$ 445,718</u>
Total Liabilities	<u>\$ 2,005,495</u>	<u>\$ 2,423,193</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related deferred inflows	<u>\$ 19,663</u>	<u>\$ 83,309</u>
NET POSITION		
Net Investment in Capital Assets	\$ 10,906,135	\$ 10,873,219
Restricted for Debt Service	286,718	737,884
Unrestricted	1,519,360	890,817
Total Net Position	<u>\$ 12,712,213</u>	<u>\$ 12,501,920</u>

See accompanying independent auditors' report.

DENISON MUNICIPAL UTILITIES
WATER UTILITY
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
Years Ended June 30, 2021 and 2020

Schedule 3

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Sales to consumers	\$ 2,631,658	\$ 2,498,652
OPERATING EXPENSES		
Administrative & general	\$ 231,590	\$ 210,186
Transportation	13,069	13,460
Property, liability, work comp insurance	100,185	81,508
Payroll tax expense	132,982	134,711
Employee insurance	119,071	155,473
Power & pumping	247,094	302,903
Transmission & distribution	327,842	286,887
Purification	622,248	638,567
Consumer accounting & collection	81,136	86,561
Total operating expenses excluding depreciation	\$ 1,875,217	\$ 1,910,256
OPERATING INCOME BEFORE DEPRECIATION	\$ 756,441	\$ 588,396
DEPRECIATION	<u>594,637</u>	<u>605,384</u>
OPERATING INCOME (LOSS)	\$ 161,804	\$ (16,988)
NONOPERATING REVENUES (EXPENSES)		
Miscellaneous	\$ 84,523	\$ 86,444
Gain on sale of property and equipment	0	0
Interest income	4,994	23,688
Interest expense	(30,255)	(38,048)
Total nonoperating revenues (expenses)	\$ 59,262	\$ 72,084
Income (Loss) before Transfers	\$ 221,066	\$ 55,096
TRANSFERS OUT	<u>(10,773)</u>	<u>(10,988)</u>
CHANGE IN NET POSITION	\$ 210,293	\$ 44,108
NET POSITION, BEGINNING OF YEAR	<u>12,501,920</u>	<u>12,457,812</u>
NET POSITION, END OF YEAR	<u>\$ 12,712,213</u>	<u>\$ 12,501,920</u>

See accompanying independent auditors' report.

DENISON MUNICIPAL UTILITIES
WATER UTILITY
COMPARATIVE STATEMENT OF CASH FLOWS
Years Ended June 30, 2021 and 2020

Schedule 3

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Position	\$ 210,293	\$ 44,108
Adjustments to reconcile change in net position to net cash provided by (used in) operating activities:		
Depreciation	594,637	605,384
Amortization of origination fees	2,487	2,487
Gain on sale of property and equipment	0	0
Changes in assets and liabilities		
(Increase) decrease in trade receivables	(1,976)	2,599
(Increase) decrease in unbilled usage	(8,855)	(26,997)
(Increase) decrease in inventories	(7,314)	(6,157)
(Increase) decrease in prepaid expenses	(11,896)	(10,527)
(Increase) decrease in other current assets	1,566	(125)
Increase (decrease) in accounts payable	(35,578)	44,865
Increase (decrease) in accrued vacation & sick leave	5,126	(17,319)
Increase (decrease) in other accrued liabilities	(5,504)	7,028
Increase (decrease) in net pension liability	78,938	(28,503)
Increase (decrease) in OPEB liability	(32,680)	(21,616)
(Increase) decrease in deferred outflows of resources	6,081	48,903
Increase (decrease) in deferred inflows of resources	(63,646)	4,803
Net cash provided by (used in) operating activities	\$ <u>731,679</u>	\$ <u>648,933</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale/maturities of securities	\$ 464,028	\$ 1,986,440
Purchase of investment securities	(372,573)	(1,190,957)
Net cash provided by (used in) investing activities	\$ <u>91,455</u>	\$ <u>795,483</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of property and equipment	\$ (202,040)	\$ (1,032,523)
Proceeds from the sale of property and equipment	0	0
Proceeds from long-term borrowing	0	0
Principal payments on long-term borrowing	(428,000)	(416,000)
Net cash provided by (used in) capital and related financing activities	\$ <u>(630,040)</u>	\$ <u>(1,448,523)</u>
Net increase (decrease) in cash and cash equivalents	\$ 193,094	\$ (4,107)
Cash and cash equivalents:		
Beginning	87,498	91,605
Ending	\$ <u><u>280,592</u></u>	\$ <u><u>87,498</u></u>

See accompanying independent auditors' report.

DENISON MUNICIPAL UTILITIES
WATER UTILITY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION-ACTUAL TO BUDGET
Year Ended June 30, 2021

Schedule 4

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
OPERATING REVENUES			
Sales to consumers	\$ 2,631,658	2,579,500	52,158
OPERATING EXPENSES			
Administrative & general	\$ 231,590	217,000	(14,590)
Transportation	13,069	15,000	1,931
Property, liability, work comp insurance	100,185	85,000	(15,185)
Payroll tax expense	132,982	107,500	(25,482)
Employee insurance	119,071	155,000	35,929
Power & pumping	247,094	261,000	13,906
Transmission & distribution	327,842	276,500	(51,342)
Purification	622,248	631,500	9,252
Consumer accounting & collection	81,136	86,000	4,864
Total operating expenses excluding depreciation	\$ 1,875,217	1,834,500	(40,717)
OPERATING INCOME BEFORE DEPRECIATION	\$ 756,441	745,000	11,441
DEPRECIATION	594,637	605,000	10,363
OPERATING INCOME (LOSS)	\$ 161,804	140,000	21,804
NONOPERATING REVENUES (EXPENSES)			
Miscellaneous	\$ 84,523	90,300	(5,777)
Gain on sale of property and equipment	0	0	0
Interest income	4,994	22,500	(17,506)
Interest expense	(30,255)	(30,300)	45
Total nonoperating revenues (expenses)	\$ 59,262	82,500	(23,238)
Income (Loss) before Transfers	\$ 221,066	222,500	(1,434)
TRANSFERS OUT	(10,773)	(17,000)	6,227
CHANGE IN NET POSITION	\$ 210,293	205,500	4,793
NET POSITION, BEGINNING OF YEAR	12,501,920	1,226,601	
NET POSITION, END OF YEAR	\$ 12,712,213	1,432,101	

See accompanying independent auditors' report.

DENISON MUNICIPAL UTILITIES
SEWER UTILITY
COMPARATIVE STATEMENT OF NET POSITION
June 30, 2021 and 2020

Schedule 5

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Unrestricted		
Cash	308,314	132,691
Deposits and investments	511,313	411,138
Accounts receivable	64,995	24,611
Unbilled usage	147,920	150,459
Due from other funds	3,133	4,080
Interest receivable	12	3
Prepaid insurance	24,271	25,971
Total Current Assets	\$ <u>1,059,958</u>	\$ <u>748,953</u>
OTHER ASSETS		
Restricted		
Revenue bond reserve	\$ <u>20,023</u>	\$ <u>7,001</u>
Total Other Assets	\$ <u>20,023</u>	\$ <u>7,001</u>
SEWER UTILITY PLANT		
Plant in Service, at cost	\$ <u>11,254,629</u>	\$ <u>11,033,131</u>
Less: Accumulated depreciation	<u>4,588,408</u>	<u>4,310,204</u>
Net Sewer Utility Plant	\$ <u>6,666,221</u>	\$ <u>6,722,927</u>
 Total Assets	 \$ <u>7,746,202</u>	 \$ <u>7,478,881</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows	\$ <u>54,682</u>	\$ <u>62,494</u>
 LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ <u>107,391</u>	\$ <u>13,097</u>
Due to other funds	<u>4,106</u>	<u>2,923</u>
Accrued vacation and sick leave	<u>43,226</u>	<u>42,010</u>
Other accrued liabilities	<u>20,578</u>	<u>17,850</u>
Current maturities of long-term debt	<u>90,563</u>	<u>77,700</u>
Interest payable	<u>1,546</u>	<u>2,589</u>
Total Current Liabilities	\$ <u>267,410</u>	\$ <u>156,169</u>
 LONG-TERM DEBT - Net of current maturities	 \$ <u>1,691,660</u>	 \$ <u>1,698,550</u>
 NONCURRENT LIABILITIES		
Net pension liability	\$ <u>257,583</u>	\$ <u>216,537</u>
Total OPEB liability	<u>49,109</u>	<u>73,191</u>
Total Noncurrent liabilities	\$ <u>306,692</u>	\$ <u>289,728</u>
 Total Liabilities	 \$ <u>2,265,762</u>	 \$ <u>2,144,447</u>
 DEFERRED INFLOWS OF RESOURCES		
Pension related deferred inflows	\$ <u>9,781</u>	\$ <u>49,090</u>
 NET POSITION		
Net Investment in Capital Assets	\$ <u>4,883,998</u>	\$ <u>4,946,677</u>
Restricted	<u>18,477</u>	<u>4,412</u>
Unrestricted	<u>622,866</u>	<u>396,749</u>
Total Net Position	\$ <u>5,525,341</u>	\$ <u>5,347,838</u>

See accompanying independent auditors' report.

**DENISON MUNICIPAL UTILITIES
SEWER UTILITY
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
Years Ended June 30, 2021 and 2020**

Schedule 5

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Sales to consumers	\$ 1,576,667	\$ 1,498,967
OPERATING EXPENSES		
Administrative & general	\$ 116,245	\$ 120,893
Transportation	25,037	12,880
Property, liability, work comp insurance	33,918	29,984
Payroll tax expense	68,009	67,777
Employee insurance	68,095	99,972
Joint treatment processing	416,647	523,561
Repair & maintenance	108,215	113,758
Power & pumping	44,801	39,367
Plant & main maintenance	169,338	169,785
Consumer accounting & collection	76,822	79,036
Total operating expenses excluding depreciation	\$ 1,127,127	\$ 1,257,013
OPERATING INCOME BEFORE DEPRECIATION	\$ 449,540	\$ 241,954
DEPRECIATION	<u>278,204</u>	<u>265,868</u>
OPERATING INCOME (LOSS)	\$ 171,336	\$ (23,914)
NONOPERATING REVENUES (EXPENSES)		
Miscellaneous	\$ 30,553	\$ 15,523
Gain on sale of property and equipment	0	0
Interest income	761	6,754
Interest expense	(18,019)	(32,975)
Total nonoperating revenues (expenses)	\$ 13,295	\$ (10,698)
Income (Loss) before Transfers	\$ 184,631	\$ (34,612)
TRANSFERS OUT	<u>(7,128)</u>	<u>(6,847)</u>
CHANGE IN NET POSITION	\$ 177,503	\$ (41,459)
NET POSITION, BEGINNING OF YEAR	<u>5,347,838</u>	<u>5,389,297</u>
NET POSITION, END OF YEAR	<u>\$ 5,525,341</u>	<u>\$ 5,347,838</u>

See accompanying independent auditors' report.

**DENISON MUNICIPAL UTILITIES
SEWER UTILITY
COMPARATIVE STATEMENT OF CASH FLOWS
Years Ended June 30, 2021 and 2020**

Schedule 5

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Position	\$ 177,503	\$ (41,459)
Adjustments to reconcile change in net position to net cash provided by (used in) operating activities:		
Depreciation	278,204	265,868
Gain on sale of property and equipment	0	0
Changes in assets and liabilities		
(Increase) decrease in trade receivables	(40,384)	26,183
(Increase) decrease in unbilled usage	2,539	(36,868)
(Increase) decrease in prepaid expenses	1,700	(2,825)
(Increase) decrease in other current assets	938	(1,237)
Increase (decrease) in accounts payable	94,294	(219,856)
Increase (decrease) in accrued vacation & sick leave	1,216	9,038
Increase (decrease) in other accrued liabilities	2,868	1,097
Increase (decrease) in net pension liability	41,046	(15,023)
Increase (decrease) in OPEB liability	(24,082)	11,643
(Increase) decrease in deferred outflows of resources	7,812	26,155
Increase (decrease) in deferred inflows of resources	(39,309)	2,531
Net cash provided by (used in) operating activities	<u>\$ 504,345</u>	<u>\$ 25,247</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale/maturities of securities	\$ 113,064	\$ 275,690
Purchase of investment securities	(226,261)	(13,224)
Net cash provided by (used in) investing activities	<u>\$ (113,197)</u>	<u>\$ 262,466</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of property and equipment	\$ (221,498)	\$ (536,240)
Proceeds from the sale of property and equipment	0	0
Proceeds from long-term borrowing	95,394	401,088
Principal payments on long-term borrowing	(89,421)	(147,000)
Net cash provided by (used in) capital and related financing activities	<u>\$ (215,525)</u>	<u>\$ (282,152)</u>
Net increase (decrease) in cash and cash equivalents	\$ 175,623	\$ 5,561
Cash and cash equivalents:		
Beginning	132,691	127,130
Ending	<u><u>\$ 308,314</u></u>	<u><u>\$ 132,691</u></u>

See accompanying independent auditors' report.

**DENISON MUNICIPAL UTILITIES
SEWER UTILITY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION-ACTUAL TO BUDGET
Year Ended June 30, 2021**

Schedule 6

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
OPERATING REVENUES			
Sales to consumers	\$ 1,576,667	1,412,000	164,667
OPERATING EXPENSES			
Administrative & general	\$ 116,245	110,000	(6,245)
Transportation	25,037	18,500	(6,537)
Property, liability, work comp insurance	33,918	32,500	(1,418)
Payroll tax expense	68,009	60,000	(8,009)
Employee insurance	68,095	82,500	14,405
Joint treatment processing	416,647	560,000	143,353
Repair & maintenance	108,215	132,500	24,285
Power & pumping	44,801	25,000	(19,801)
Plant & main maintenance	169,338	180,000	10,662
Consumer accounting & collection	76,822	75,000	(1,822)
Total operating expenses excluding depreciation	\$ 1,127,127	1,276,000	148,873
OPERATING INCOME BEFORE DEPRECIATION	\$ 449,540	136,000	313,540
DEPRECIATION	278,204	205,000	(73,204)
OPERATING INCOME (LOSS)	\$ 171,336	(69,000)	240,336
NONOPERATING REVENUES (EXPENSES)			
Miscellaneous	\$ 30,553	5,000	25,553
Gain on sale of property and equipment	0	0	0
Interest income	761	7,500	(6,739)
Interest expense	(18,019)	(30,000)	11,981
Total nonoperating revenues (expenses)	\$ 13,295	(17,500)	30,795
Income (Loss) before Transfers	\$ 184,631	(86,500)	271,131
TRANSFERS OUT	(7,128)	(7,500)	372
CHANGE IN NET POSITION	\$ 177,503	(94,000)	271,503
NET POSITION, BEGINNING OF YEAR	5,347,838	4,779,115	
NET POSITION, END OF YEAR	\$ 5,525,341	4,685,115	

See accompanying independent auditors' report.

**DENISON MUNICIPAL UTILITIES
JOINT TREATMENT UTILITY
COMPARATIVE STATEMENT OF NET POSITION
June 30, 2021 and 2020**

Schedule 7

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Unrestricted		
Cash	\$ 493,309	\$ 326,582
Accounts receivable	0	0
Unbilled usage	174,628	136,972
Due from other funds	2,330	1,377
Interest receivable	978	4,564
Prepaid insurance	37,646	45,178
Total Current Assets	\$ <u>708,891</u>	\$ <u>514,673</u>
OTHER ASSETS		
Restricted		
Revenue bond reserve	\$ 33,833	\$ 13,001
Unrestricted		
Equipment replacement investment	4,369,447	3,792,409
Total Other Assets	\$ <u>4,403,280</u>	\$ <u>3,805,410</u>
JOINT TREATMENT PLANT		
Plant in Service, at cost	\$ 19,274,939	\$ 18,950,941
Less: Accumulated depreciation	6,174,127	5,710,387
Net Joint Treatment Plant	\$ <u>13,100,812</u>	\$ <u>13,240,554</u>
Total Assets	\$ <u>18,212,983</u>	\$ <u>17,560,637</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows	\$ <u>63,367</u>	\$ <u>70,849</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 7,691	\$ 28,028
Due to other funds	1,396	2,036
Accrued vacation and sick leave	66,701	54,325
Other accrued liabilities	15,140	18,131
Current maturities of long-term debt	171,437	144,300
Interest payable	2,922	4,808
Total Current Liabilities	\$ <u>265,287</u>	\$ <u>251,628</u>
LONG-TERM DEBT - Net of current maturities	\$ <u>3,202,340</u>	\$ <u>3,154,450</u>
NONCURRENT LIABILITIES		
Net pension liability	\$ 256,627	\$ 214,465
Total OPEB liability	21,410	38,039
Total Noncurrent liabilities	\$ <u>278,037</u>	\$ <u>252,504</u>
Total Liabilities	\$ <u>3,745,664</u>	\$ <u>3,658,582</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related deferred inflows	\$ <u>10,266</u>	\$ <u>45,870</u>
NET POSITION		
Net Investment in Capital Assets	\$ 9,727,035	\$ 9,941,804
Restricted	30,911	8,193
Unrestricted	4,762,474	3,977,037
Total Net Position	\$ <u>14,520,420</u>	\$ <u>13,927,034</u>

See accompanying independent auditors' report.

**DENISON MUNICIPAL UTILITIES
JOINT TREATMENT UTILITY
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
Years Ended June 30, 2021 and 2020**

Schedule 7

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Sales to consumers	\$ 1,970,625	\$ 2,053,042
OPERATING EXPENSES		
Administrative & general	\$ 162,656	\$ 143,231
Transportation	10,070	9,453
Property, liability, work comp insurance	55,640	50,801
Payroll tax expense	69,586	68,932
Employee insurance	57,950	43,609
Waste water processing	572,271	753,931
Total operating expenses excluding depreciation	\$ 928,173	\$ 1,069,957
OPERATING INCOME BEFORE DEPRECIATION	\$ 1,042,452	\$ 983,085
DEPRECIATION	<u>463,740</u>	<u>426,646</u>
OPERATING INCOME (LOSS)	\$ 578,712	\$ 556,439
NONOPERATING REVENUES (EXPENSES)		
Miscellaneous	\$ 36,620	\$ 39,258
Gain on sale of property and equipment	0	0
Interest income	11,889	53,097
Interest expense	(33,835)	(60,496)
Total nonoperating revenues (expenses)	\$ 14,674	\$ 31,859
Income (Loss) before Transfers	\$ 593,386	\$ 588,298
TRANSFERS OUT	<u>0</u>	<u>0</u>
CHANGE IN NET POSITION	\$ 593,386	\$ 588,298
NET POSITION, BEGINNING OF YEAR	<u>13,927,034</u>	<u>13,338,736</u>
NET POSITION, END OF YEAR	<u>\$ 14,520,420</u>	<u>\$ 13,927,034</u>

See accompanying independent auditors' report.

**DENISON MUNICIPAL UTILITIES
JOINT TREATMENT UTILITY
COMPARATIVE STATEMENT OF CASH FLOWS
Years Ended June 30, 2021 and 2020**

Schedule 7

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Position	\$ 593,386	\$ 588,298
Adjustments to reconcile change in net position to net cash provided by (used in) operating activities:		
Depreciation	463,740	426,646
Gain on sale of property and equipment	0	0
Changes in assets and liabilities		
(Increase) decrease in trade receivables	0	0
(Increase) decrease in unbilled usage	(37,656)	39,522
(Increase) decrease in prepaid expenses	7,532	(4,648)
(Increase) decrease in other current assets	2,633	5,462
Increase (decrease) in accounts payable	(20,337)	(396,767)
Increase (decrease) in accrued vacation & sick leave	12,376	12,639
Increase (decrease) in other accrued liabilities	(5,517)	6,757
Increase (decrease) in net pension liability	42,162	(14,354)
Increase (decrease) in OPEB liability	(16,629)	(15,276)
(Increase) decrease in deferred outflows of resources	7,482	22,985
Increase (decrease) in deferred inflows of resources	(35,604)	2,418
Net cash provided by (used in) operating activities	<u>\$ 1,013,568</u>	<u>\$ 673,682</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale/maturities of securities	\$ 751,101	\$ 1,226,919
Purchase of investment securities	(1,348,971)	(1,020,414)
Net cash provided by (used in) investing activities	<u>\$ (597,870)</u>	<u>\$ 206,505</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of property and equipment	\$ (323,998)	\$ (1,283,459)
Proceeds from the sale of property and equipment	0	0
Proceeds from long-term borrowing	244,048	746,695
Principal payments on long-term borrowing	(169,021)	(273,000)
Net cash provided by (used in) capital and related financing activities	<u>\$ (248,971)</u>	<u>\$ (809,764)</u>
Net increase (decrease) in cash and cash equivalents	\$ 166,727	\$ 70,423
Cash and cash equivalents:		
Beginning	326,582	256,159
Ending	<u><u>\$ 493,309</u></u>	<u><u>\$ 326,582</u></u>

See accompanying independent auditors' report.

**DENISON MUNICIPAL UTILITIES
JOINT TREATMENT UTILITY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION-ACTUAL TO BUDGET
Year Ended June 30, 2021**

Schedule 8

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
OPERATING REVENUES			
Sales to consumers	\$ 1,970,625	2,210,000	(239,375)
OPERATING EXPENSES			
Administrative & general	\$ 162,656	130,250	(32,406)
Transportation	10,070	17,000	6,930
Property, liability, work comp insurance	55,640	50,000	(5,640)
Payroll tax expense	69,586	60,000	(9,586)
Employee insurance	57,950	75,000	17,050
Waste water processing	572,271	877,800	305,529
Total operating expenses excluding depreciation	\$ 928,173	1,210,050	281,877
OPERATING INCOME BEFORE DEPRECIATION	\$ 1,042,452	999,950	42,502
DEPRECIATION	463,740	285,000	(178,740)
OPERATING INCOME (LOSS)	\$ 578,712	714,950	(136,238)
NONOPERATING REVENUES (EXPENSES)			
Miscellaneous	\$ 36,620	35,000	1,620
Gain on sale of property and equipment	0	0	0
Interest income	11,889	50,000	(38,111)
Interest expense	(33,835)	(54,500)	20,665
Total nonoperating revenues (expenses)	\$ 14,674	30,500	(15,826)
Income (Loss) before Transfers	\$ 593,386	745,450	(152,064)
TRANSFERS OUT	0	0	0
CHANGE IN NET POSITION	\$ 593,386	745,450	(152,064)
NET POSITION, BEGINNING OF YEAR	13,927,034	4,606,116	
NET POSITION, END OF YEAR	\$ 14,520,420	5,351,566	

See accompanying independent auditors' report.

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

1910 EAST 7th STREET BOX 369
ATLANTIC, IOWA 50022-0369
(712) 243-1800
FAX (712) 243-1265
CPA@GBKCO.COM

MARK D. KYHNN
KENNETH P. TEGELS
CHRISTOPHER J. NELSON
DAVID A. GINTHER

Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Trustees
Denison Municipal Utilities
Denison, Iowa

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of business-type activities and each major fund of Denison Municipal Utilities as of and for the year ended June 30, 2021, and the related notes to financial statements which collectively comprise the Utilities basic financial statements, and have issued our report thereon dated October 11, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Denison Municipal Utilities' internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Denison Municipal Utilities' internal control. Accordingly, we do not express an opinion on the effectiveness of Denison Municipal Utilities' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Utilities' financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider to be significant deficiencies: 21-I-A.

To the Board of Trustees
Denison Municipal Utilities

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Denison Municipal Utilities' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted a certain immaterial instance of non-compliance or other matter which is described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Utilities' operations for the year ended June 30, 2021 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Utilities. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Denison Municipal Utilities' Responses to Findings

Denison Municipal Utilities' responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Denison Municipal Utilities' responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Utilities' internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Utilities' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Graveland, Deen, Lyhman & Co. P.C.

Atlantic, Iowa
October 11, 2021

DENISON MUNICIPAL UTILITIES
Schedule of Findings
Year ended June 30, 2021

Part I - Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES

21-I-A Segregation of Duties:

Criteria: Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the Utilities' financial statements.

Condition: A limited number of people have the primary responsibility for most of the accounting and financial reporting duties.

Cause: The Utilities has a limited number of employees which does not allow procedures to be established to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect: Inadequate segregation of duties could adversely affect the Utilities' ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation: We recognize that it may not be economically feasible for the Utilities to employ additional personnel for the sole purpose of segregating duties, however, it is our professional responsibility to bring this control deficiency to your attention. We recommend that the Board be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: The Board is aware of this lack of segregation of duties, but it is not economically feasible for the Utilities to employ additional personnel for this reason. The Board will continue to act as an oversight group.

Conclusion: Response accepted.

INSTANCES OF NON-COMPLIANCE

No matters were noted.

* * *

Part II - Other Findings Related to Required Statutory Reporting

21-II-A Certified Budget: Disbursements during the year ended June 30, 2021 did not exceed amounts budgeted in this business type activity function.

DENISON MUNICIPAL UTILITIES
Schedule of Findings - Continued
Year ended June 30, 2021

Part II - Other Findings Related to Required Statutory Reporting (Continued)

21-II-B Questionable Expenditure: During the audit, we noted no expenditure of the Utilities' funds without proper documentation of public purpose.

21-II-C Travel Expense: No expenditures of Utilities' money for travel expenses of spouses of Utilities' officials and/or employees were noted.

21-II-D Business Transactions: No business transactions between the Utilities and Utilities' officials and/or employees were noted.

21-II-E Restricted Donor Activity: No transactions were noted between the Utilities, Utilities officials, Utilities employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

21-II-F Bond Coverage: Surety bond coverage of the Utilities' officials and employees appears to be in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

21-II-G Board Minutes: No transactions were found that we believe should have been approved in the Board minutes but were not.

21-II-H Deposits and Investments: We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Utilities' investment policy.

21-II-I Revenue Notes: No violations of revenue note resolution requirements were noted.

21-II-J Economic Development: During the year ended June 30, 2021, the Utilities paid \$6,615 to the Chamber & Development Council of Crawford County. The Utilities Board has documented the public benefits received from this expenditure, however, it is disclosed here for public information.

According to Chapter 15A of the Code of Iowa and an Attorney General's opinion dated August 28, 1986, government financing of economic development may, in appropriate circumstances, serve a public purpose. The opinion advises the governing body to evaluate the public benefits to be obtained and discusses the specific criteria to be considered in documenting public purpose.

Recommendation: The Board should continue to evaluate and document the public purpose served by these expenditures before authorizing further payments.

Response: We will continue to evaluate and document the public purpose in the future.

Conclusion: Response accepted.

* * *